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NATIONAL DAIRY PRODUCTS CORPORATION

ANNUAL REPORT 1940

SEALTEST SYSTEM OF LABORATORY PROTECTION
Sealtest
NATIONAL DAIRY PRODUCTS CORPORATION

THE MARK OF SEALTEST-SUPERVISED PRODUCTS

BOARDS
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These Full Color Photographs From Recent Sealtest Advertising Illustrate How Eye Appeal Helps Popularize The Use Of Milk, Ice Cream And Other Dairy Products.

THE work of nationally known food specialists in these two experimental kitchens helps explain the popularity of your company's products. Recipes prepared in the Sealtest Kitchen (above) and the Kraft Kitchen (below) featuring milk, ice cream, cheese and other dairy products are welcomed by hundreds of thousands of women. A few of the dishes prepared from these recipes are pictured on the inside of the front and back covers of this report.

NATIONAL DAIRY PRODUCTS CORPORATION

230 PARK AVENUE, NEW YORK

ANNUAL REPORT

1940

Directors

F. J. Andre
President, The Telling-Belle Vernon Company, Cleveland

F. J. Bahl
President, The Tri-State Butter Company, Cincinnati

Edgar N. Brawner
President, Chestnut Farms-Chevy Chase Dairy Company, Washington, D. C.

Henry W. Breyer, Jr.
Director, Breyer Ice Cream Company, Philadelphia

Frederick J. Bridges
President, Hydrox Corporation, Chicago

James Bruce
Vice-President

E. J. Finneran
Director of Sales and Advertising

Joseph Gilfillan
Attorney, Philadelphia

Robert S. Gordon
General Counsel

B. S. Halsey
Vice-President, Sheffield Farms Company, Inc., New York

H. C. Horneman
President, Sugar Creek Creamery Company, Danville

Vernon F. Hovey
President, General Ice Cream Corporation, Schenectady

J. L. Kraft
President, Kraft Cheese Company, Chicago

John H. Kraft
Executive Vice-President, Kraft Cheese Company, Chicago

B. M. Lide, Jr.
President, St. Louis Dairy Company, St. Louis

E. J. Mather
President, Southern Dairies, Inc., Washington, D. C.

Thos. H. McInnerney
President

P. P. Miller
Vice-President, General Ice Cream Corporation, Schenectady

Edward E. Rieck
Chairman of Board, Rieck-McJunkin Dairy Company, Pittsburgh

Wilbur S. Scott
President, Breyer Ice Cream Company, Philadelphia

L. A. Van Bomel
President, Sheffield Farms Company, Inc., New York

Sidney J. Weinberg
Banker, New York

H. Burton Wilkerson
President, Nashville Pure Milk Company, Nashville

Frank A. Wills
Chairman of Board, Supplee-Wills-Jones Milk Company, Philadelphia

Each company named above is a subsidiary of National Dairy Products Corporation

Officers

Thos. H. McInnerney, *President*
L. A. Van Bomel, *Executive Vice-President*
Frederick J. Bridges, *Vice-President*
James Bruce, *Vice-President*
Vernon F. Hovey, *Vice-President*
Wilbur S. Scott, *Vice-President*

A. Boag, Jr., *Comptroller and Secretary*
George H. Rutherford, *Treasurer*
J. F. Twomey, *Assistant Comptroller*
G. W. McGhee, *Assistant Secretary*
O. J. Martin, *Assistant Secretary*
E. J. Finneran, *Director of Sales and Advertising*

Robert S. Gordon, *General Counsel*

Executive Committee

Thos. H. McInnerney

Vernon F. Hovey
J. L. Kraft

Wilbur S. Scott
L. A. Van Bomel

Transfer Agent

Bankers Trust Company
New York, N. Y.

Counsel

Sullivan & Cromwell

Stock Record and Dividend Disbursing Department

230 Park Avenue
New York, N. Y.

Executive Offices

230 Park Avenue
New York, N. Y.

Registrar

The Chase National Bank
of the City of New York
New York, N. Y.

Auditors

Arthur Andersen & Co.

Comparative Summary

(EXCLUDING FOREIGN SUBSIDIARIES)

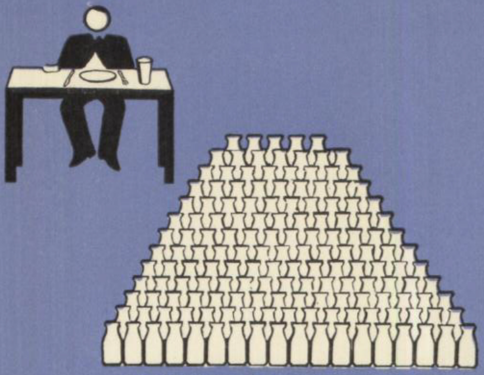
	1940	1939
Sales	**$347,410,000**	**$320,657,000**
Material Costs	**185,104,000**	**161,502,000**
Payrolls	**68,098,000**	**65,002,000**
Direct Federal, State and Local Taxes	**9,984,000**	**8,473,000**
Net Profit	**11,094,000**	**12,495,000**
Profit Per Share	**$1.66**	**$1.88**
Average Number of Employees	**35,565**	**35,124**
Common Stockholders, December 31	**69,264**	**70,078**

To the Stockholders:

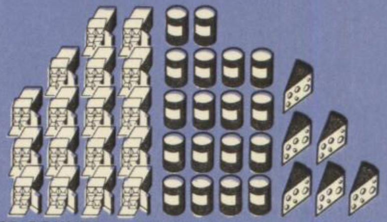
We are pleased to present our report on the 1940 operations of the corporation. Our dollar sales increased considerably in 1940 over 1939, but profits failed to improve due to higher costs of doing business. Our sales and expenses during 1940 compare as follows with 1939:

SALES, COSTS AND PROFIT *(Excluding foreign subsidiaries)*	1940		1939	
	AMOUNT	% OF SALES	AMOUNT	% OF SALES
Sales of milk, cheese, ice cream, butter, cream, milk powders, evaporated milk, frozen foods, eggs, salad dressings and all other products amounted to	$347,410,000	100.0	$320,657,000	100.0
Cost of materials alone—such as milk, cream, eggs, fruits and nuts, salad oils, etc.—before processing and manufacturing expense was	$185,104,000	53.3	$161,502,000	50.4
Payrolls amounted to	68,098,000	19.6	65,002,000	20.3
Services and supplies, such as feed, water, ice, telephone, telegraph, insurance, professional services, bad debt provisions, and the net amount of other miscellaneous items	18,571,000	5.3	18,477,000	5.8
Amounts set aside to cover wear and tear on our buildings, machinery, trucks and other equipment during the year—plus the cost of repairs, including milk bottle expense—totaled	18,448,000	5.3	19,962,000	6.2
Caps, cartons, wrappers, jars and other non-returnable containers .	17,921,000	5.2	16,660,000	5.2
Direct Federal, state and local taxes	9,984,000	2.9	8,473,000	2.6
Advertising—newspapers, magazines, radio, store windows, etc. . .	9,197,000	2.7	9,201,000	2.9
Gasoline, coal, oil, purchased light, heat and power cost	6,745,000	1.9	6,511,000	2.0
Interest paid National Dairy's bondholders, dividends on preferred stock of a subsidiary and minority stockholders' equity in earnings of two subsidiaries	2,248,000	.6	2,374,000	.7
Total expenses	$336,316,000	96.8	$308,162,000	96.1
Net Profit	$ 11,094,000	3.2	$ 12,495,000	3.9

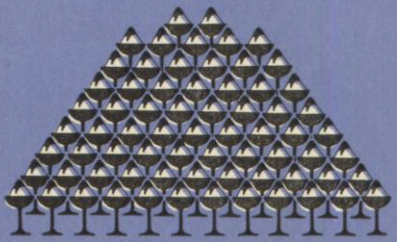
IN ONE YEAR THE AVERAGE AMERICAN CONSUMES ABOUT . . .



155 QUARTS OF MILK AND CREAM



17 POUNDS OF BUTTER **18 CANS OF EVAPORATED MILK** **6 POUNDS OF CHEESE**



70 SERVINGS OF ICE CREAM

IF A CONSUMER HAD PURCHASED THESE PRODUCTS—HIS ENTIRE YEAR'S SUPPLY—FROM US DURING 1940, NATIONAL DAIRY'S PROFIT ON HIS PURCHASES WOULD HAVE BEEN LESS THAN 70 CENTS —ABOUT ONE-FIFTH OF A CENT A DAY.

The foregoing table shows that material costs and payrolls amounted to nearly three-fourths of total sales during 1940. Your management was successful in reducing all costs in relation to sales except materials and taxes, which increased, and caps, cartons, wrappers and the like which remained unchanged. The cost of materials jumped from 50.4 percent of sales in 1939 to 53.3 percent in 1940. Taxes increased from 2.6 to 2.9 percent of sales. The large increase in these two costs is principally responsible for lower earnings.

Since we have excluded foreign subsidiaries and their operations from the 1940 consolidated balance sheets, profit and loss and surplus statements shown in this report, we have also excluded them from the corresponding 1939 statements, so that the financial reports for the two years will be comparable.

BALANCE SHEET CHANGES

The principal change in the asset side of our balance sheet is an increase of a little over $6,625,000 during the year in current assets. Major items making up this increase were cash in the approximate amount of $850,000, notes and accounts receivable $950,000, and inventories and supplies of a little over $4,825,000. The increase in cash was due principally to the balance of about $750,000 resulting from the 1940 refinancing. The increase in receivables was due to the larger volume of sales in 1940. Increased sales, together with the desirability of carrying larger stocks of aged cheese, resulted in larger inventories of materials and products.

Current liabilities increased a little over $3,500,000, including the $1,500,000 of our new serial debentures which mature in 1941. Reserves for Federal taxes went up about $1,275,000 during the year due to the higher rate of Federal income taxes in 1940. Larger sales requiring greater commitments for materials, services and supplies resulted in approximately $725,000 additional accounts payable.

The net result of the above changes was an improvement of about $3,125,000 in our working capital in 1940.

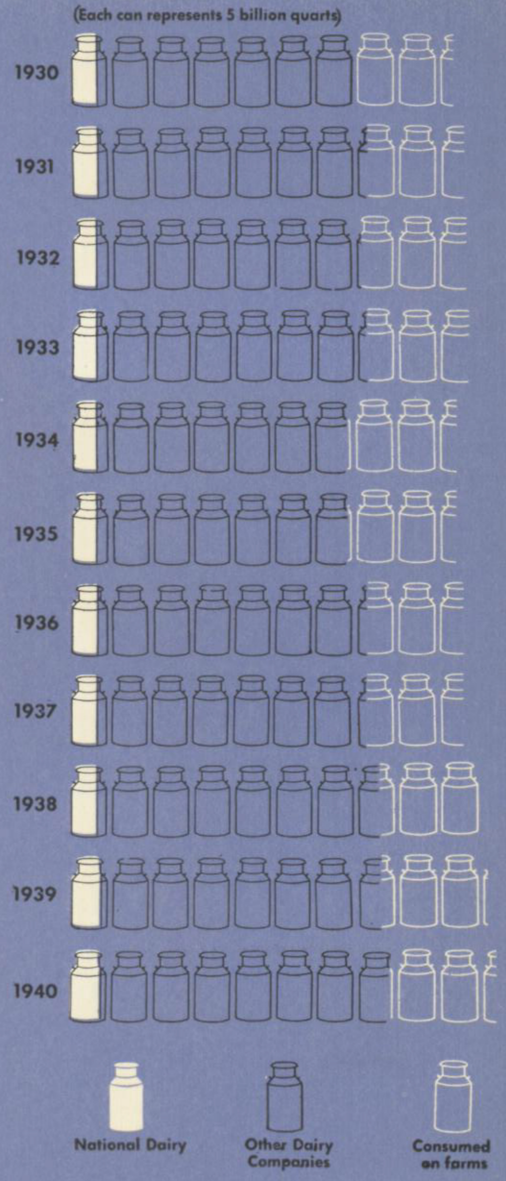
SAVINGS ACCOMPLISHED THROUGH 1940 REFINANCING

The other principal changes in the liability side of our balance sheet were due primarily to the refinancing program. During the year your company sold $55,000,000 3¼% Debentures due 1960 and $15,000,000 10-year Serial Debentures having graduated interest rates ranging from ⅜ths of one percent to 2.1%. We were able to sell these new securities at a sufficient premium to net the company $71,400,000. This cash was used to retire our 3¾% Debentures, our 7% Class A and B Preferred Stocks and the $6 preferred stock of a subsidiary company. After paying all redemption premiums and expenses of the refinancing, about $750,000 remained for the corporation's treasury. This refinancing will save the corporation on the average about $500,000 a year and has extended the due date of the corporation's long term funded debt for an additional nine years.

CHARTS

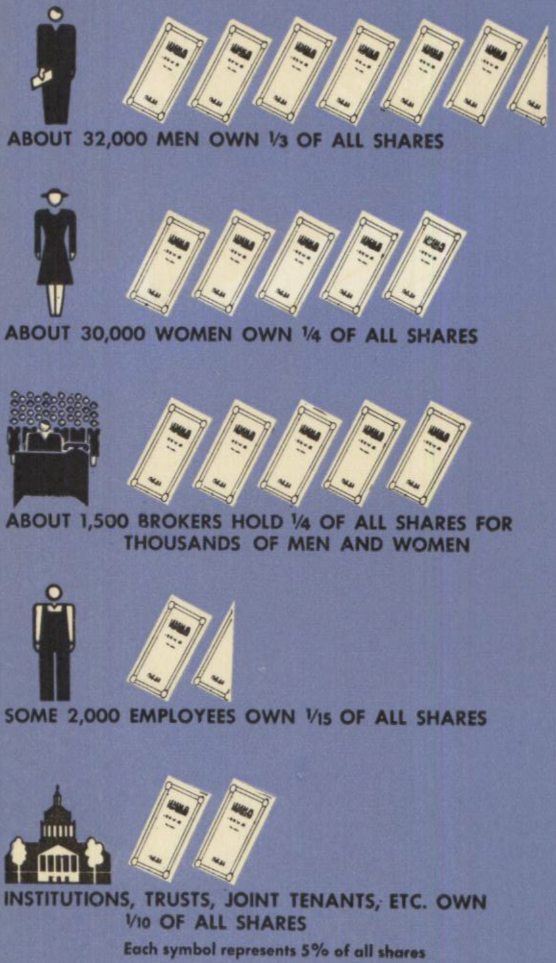
We believe you will be interested in the marginal charts included with this letter. They present more clearly than words additional information about your company and its operations.

NATIONAL DAIRY'S USAGE OF NATION'S MILK PRODUCTION



Over the past decade, milk and dairy products sold by National Dairy companies represented approximately 8% of all milk produced on farms or about 11% of all milk sold commercially by farmers.

69,200 STOCKHOLDERS OWN 6,263,880 SHARES



Ownership of National Dairy is widely distributed among men and women, with no one stockholder having as much as two per cent of the shares outstanding. Countrywide in operations, National Dairy is also countrywide in ownership. Its stockholders are found in every state in the Union.

RESEARCH

Your company's research activities cover a wide range of projects in many different fields. Research findings which enable our companies to improve plant techniques and thus produce better products for our customers rank among the most important, yet perhaps the least publicized, accomplishments of our scientific staff. Through this type of laboratory research we have effected many improvements in the appearance, taste and packaging of our products. In addition to research directed toward quality improvement, our laboratories are constantly seeking new commercial uses for milk and by-products of milk. Our research staff is particularly interested in expanding the usefulness of products derived from casein and whey, two products remaining from milk product manufacturing operations. Considerable progress was made during 1940 in developing more uses for these products, including the manufacture of "Aralac" (casein fiber).

GOVERNMENT REGULATION

In the milk producing areas supplying large fluid milk consuming centers where government regulation is most prevalent, Class I farm prices are generally fixed at higher levels than are justified, compared to going prices for milk of equal quality in adjacent, unregulated markets. (Class I prices are those received by farmers for milk sold consumers in fluid form, in contrast to the lower prices farmers receive for milk used to make manufactured dairy products.) Since milk companies' pasteurizing and bottling expense, wage rates, and other distributing expenses are largely inflexible, Class I farm prices in effect set the companies' resale prices to their customers. Consequently, the government policy of establishing excessively high Class I prices in regulated markets results in unnecessarily high retail prices.

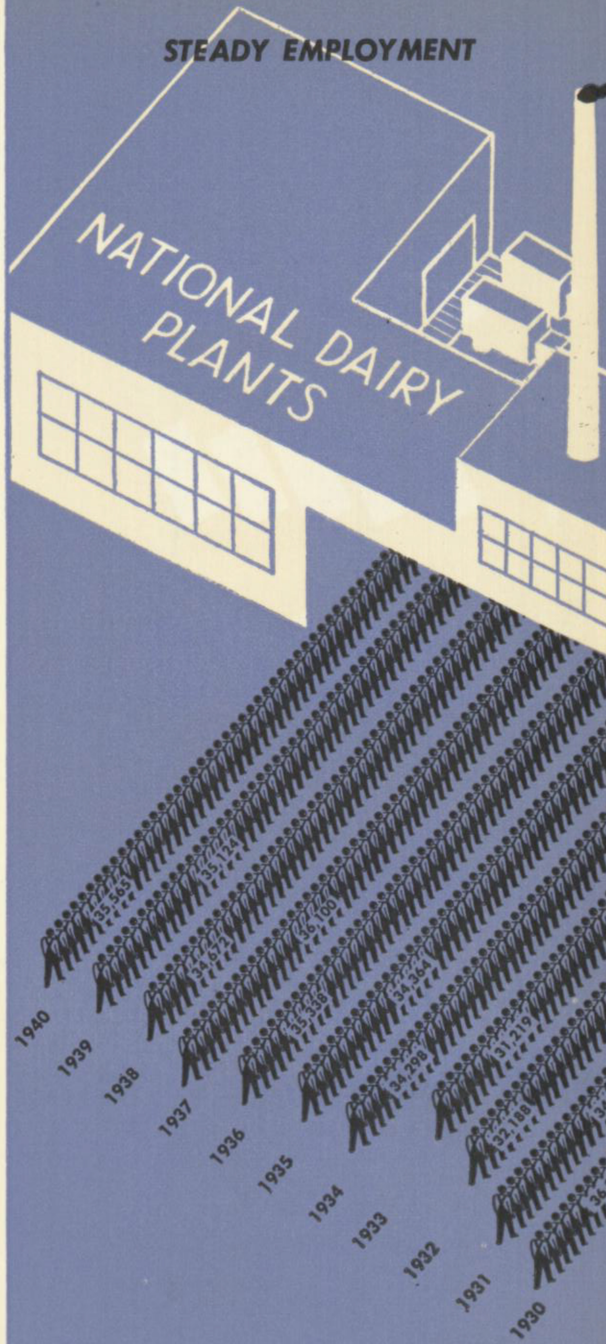
This is an unsound situation. We believe that were government control authorities to take a realistic attitude, they would fix Class I farm prices at lower and really competitive levels, thus making lower retail milk prices possible. Lower prices would result in further increasing per capita consumption—a goal of all nutritionists and a constant objective of your management. Ultimately this increase in consumption of fluid milk (for which farmers receive the higher Class I price) would result in farmers receiving as high an average price as formerly for all of the milk they sell—including both Class I sales as well as milk sold for manufacturing purposes. As an organization we have repeatedly asked government control authorities to at least give this theory of pricing a fair trial, but as yet with little success. However, we shall continue to present this reasoning before government bodies on every possible occasion and at the same time continue our efforts to develop cheaper ways of processing and distributing milk.

TAXES—AN INCREASING COST OF BUSINESS

Taxes are one of the costs of doing business over which your company has no control. Our direct taxes last year were equivalent to $1.59 per share of common stock or $281 for each employee, and totalled $9,984,000, as follows:

Federal Income Tax	$4,064,000
State and Local Taxes	2,954,000
Social Security Taxes	2,540,000
Other Federal Taxes	426,000

STEADY EMPLOYMENT



Despite the ups and downs of business, National Dairy has been able to provide its employees with a large measure of job security. Even in 1933, the worst year of the depression for the dairy industry, the number of our wage earners declined only 14% from 1930, the industry's most profitable

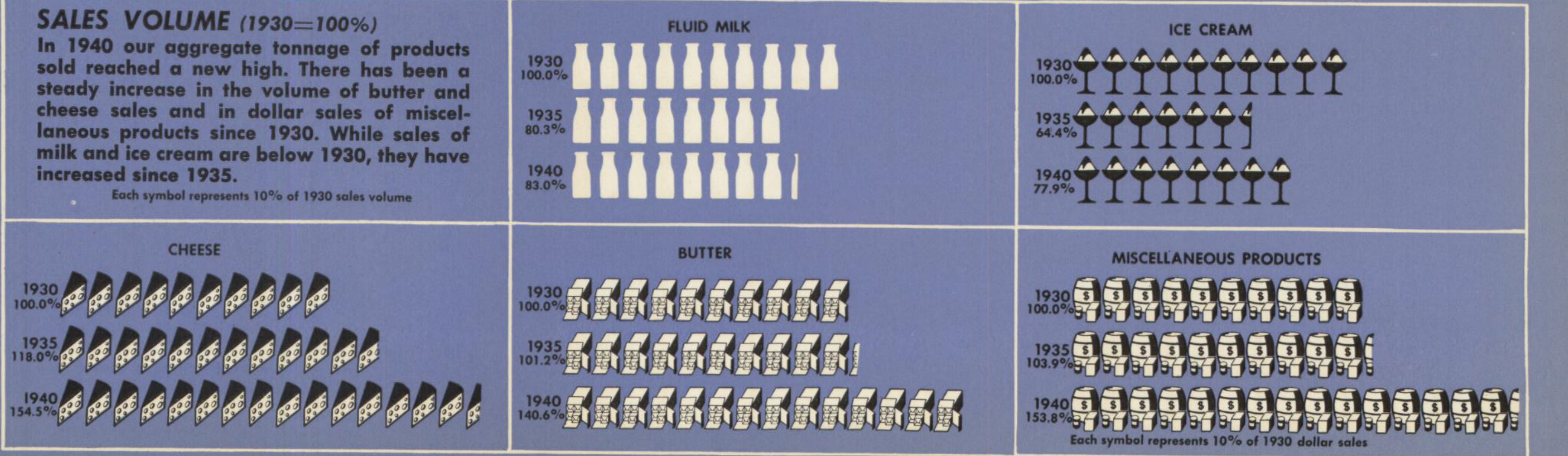
We cannot have the benefits of democratic government without some tax payments — either direct or indirect — by everyone. Neither can the government finance unusual but highly necessary programs, such as the strengthening of the national defense, without levying additional taxes. Until our country's rearmament program has been completed, increases, rather than reductions, in the tax burden can be expected.

THE WAR ABROAD

We have had no information from abroad which would indicate that our factories in Great Britain and Continental Europe have been damaged. However, it was deemed advisable to exclude foreign subsidiaries' operations from our consolidated statements for 1940. Accordingly our investment in these foreign companies is shown as a separate item in the Balance Sheet.

The profits of foreign subsidiaries included in last year's consolidated financial statements were equivalent to $539,354.41, or a little over 8½ cents of the $1.97 per share earned in 1939. Comparable earnings of foreign subsidiaries in 1940 are not available since no exchange rates are quoted for The Netherlands and Belgium. Excluding our businesses in these two countries, the 1940 earnings of our foreign subsidiaries, as shown on page 15 of this report, were equivalent to $570,242.73, or approximately 9 cents per share. During 1940, we received dividends of $784,215.54 in United States dollars from an English subsidiary. These dividends were credited directly to earned surplus and an amount equal thereto provided for reserve for foreign investments and advances.

The effect of the war on our domestic dairy industry has thus far been largely indirect. Greater consumer purchasing power resulting from the rearmament program will undoubtedly be reflected in larger expenditures for some foods, not-



SALES VOLUME (1930=100%)

In 1940 our aggregate tonnage of products sold reached a new high. There has been a steady increase in the volume of butter and cheese sales and in dollar sales of miscellaneous products since 1930. While sales of milk and ice cream are below 1930, they have increased since 1935.

Each symbol represents 10% of 1930 sales volume

Each symbol represents 10% of 1930 dollar sales ably meats, milk and dairy products, fruits and vegetables. We expect this situation to provide a further stimulus to your company's sales in 1941.

The war has increased United States exports of canned milks and milk powders. Though exports will probably continue in even larger volume in 1941, it is unlikely that they will be significant in terms of total domestic production.

KRAFT'S PRODUCTION OF FOREIGN-TYPE CHEESE INCREASING

The almost complete stoppage of European cheese imports due to the war should benefit our Kraft Cheese Company. Many months ago Kraft anticipated that its source of supply of European cheeses would be disrupted. For some time it has been producing fine quality Edam and Gouda cheeses domestically. Kraft's American-made Swiss, Camembert, Brick, Limburger and Chantelle cheeses have long been popular. As present stocks of imported cheeses are used up, the potential market for Kraft's domestically produced foreign-type cheeses should correspondingly increase.

Kraft has been experimenting with a domestically produced Roquefort-type cheese and will market it in the near future, under the brand name "Roka." Kraft also expects to place considerable promotional effort behind new varieties of domestic natural cheeses, which should also help to replace European types in the American market. As Kraft is successful in establishing a permanent demand for these natural cheeses, and for its domestically produced foreign-type cheeses, Kraft expects to gain sufficient additional sales volume to much more than offset its past sales of the European varieties. The success of Kraft's efforts in this direction will, of course, result in a larger market for the American dairy farmer's milk production.

MILK—THE LEADING AMERICAN FARM COMMODITY

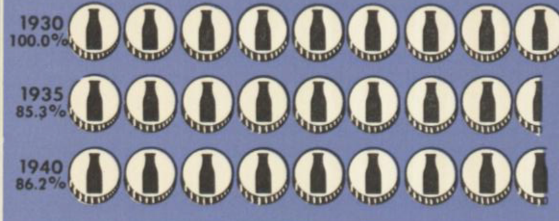
Dairying continues to be the leading source of American

SELLING PRICES PER UNIT (1930=100%)

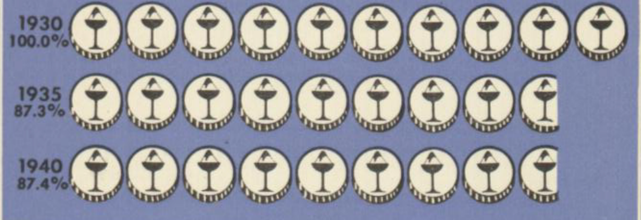
During the last ten years, reductions in National Dairy's manufacturing and operating costs have been passed on to customers through lower selling prices. As the two "market baskets" indicate, a dollar's worth of our products at the 1930 price levels can be bought for 85¢ today.

Each symbol represents 10% of 1930 selling prices

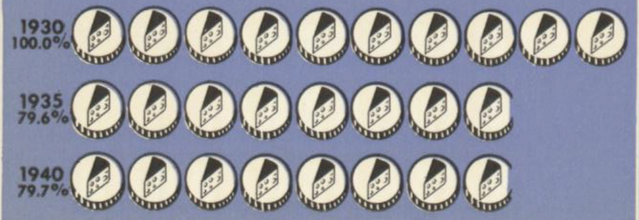
FLUID MILK — Average Selling Price Per Quart



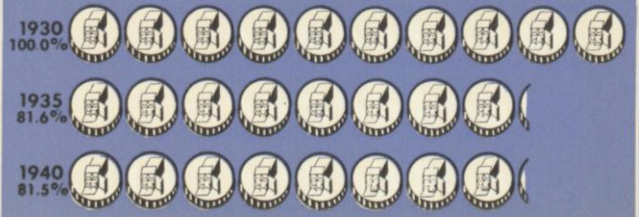
ICE CREAM — Average Selling Price Per Quart

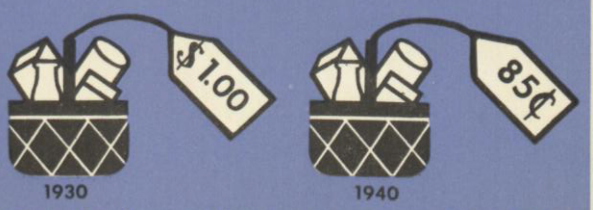


CHEESE — Average Selling Price Per Pound



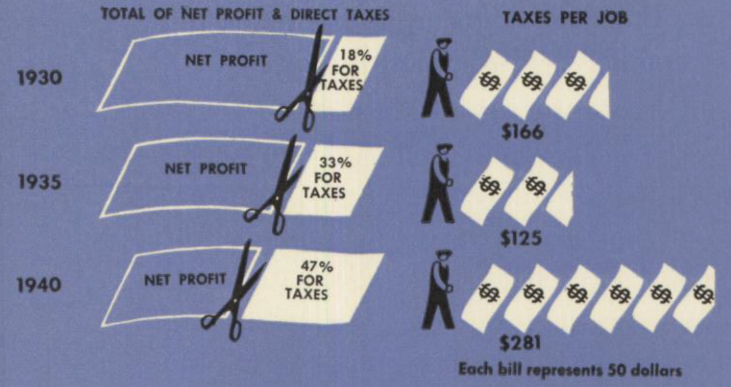
BUTTER — Average Selling Price Per Pound





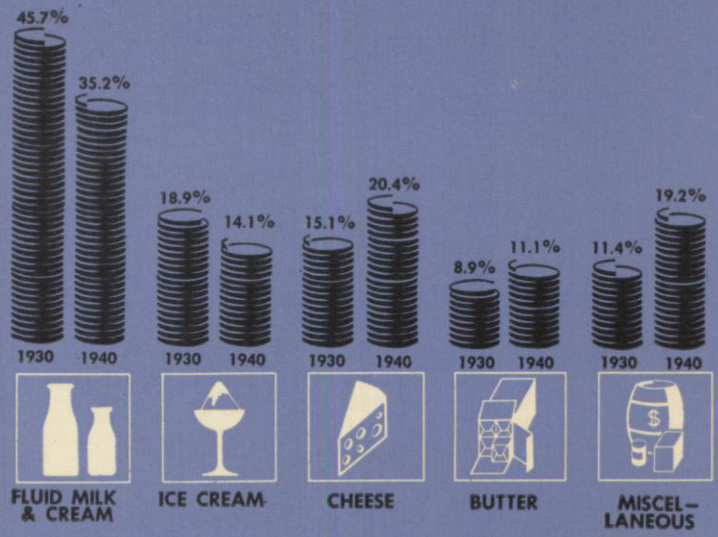
85 cents today buys products which cost one dollar in 1930.

TAXES INCREASE



National Dairy's $9,984,000 direct tax bill for 1940—nearly as large as our net profit—was equivalent to a $281 per year tax on each job in National Dairy.

SOURCES OF NATIONAL DAIRY'S SALES DOLLAR



In 1930, miscellaneous products accounted for 11.4% of total sales; in 1940—19.2%. This sharp increase in miscellaneous sales tells the story of diversification in National Dairy's operations. Our cheese and butter businesses have also grown in relative importance.

farm income. During 1940 it is estimated that cash received by farmers from the sale of milk totaled $1,500,000,000 compared to $1,350,000,000 in 1939, and represented more than 16¢ out of each dollar of farm income.

Throughout the last decade farmers have received proportionately higher prices for milk than for other farm commodities. The volume of their milk sales has also been relatively larger than the general index of all agricultural production. These two achievements have put dairy farming in a preferred position contrasted with agriculture as a whole. The operating efficiency and merchandising ability of your company and other milk and dairy product companies have helped greatly in making these accomplishments possible.

OUR OBJECTIVES

Our balance sheet shows total assets of $197,800,000. Dividing this sum by the 35,565 National Dairy jobs shows that each such job is supported by more than $5,500 in cash, equipment and other assets. Each job produced on the average about $9,800 of sales in 1940 . . . of which more than $5,200 was paid to dairy farmers and other suppliers of our materials. If that job is to be preserved . . . if the sales that job produces are to pay farmers for milk . . . that job and those sales must produce a profit.

The best insurance of profitable operations is the ability of National Dairy to continue to improve its service to the public. Present ways of processing and distribution, efficient as they may be, must be improved . . . just as present methods of producing milk on farms must become more efficient. Research must be supported to increase our knowledge of the nutritive value of our products . . . to find new uses for milk by-products . . . to discover entirely new products.

These things we are striving to do:

Pay the farmer fair prices; help him with his problems

Pay our employees fair wages; make their jobs secure and attractive

Distribute fair dividends to our stockholders, and safeguard their investment

Sell our products at lowest possible prices, and at the same time improve quality and service.

By accomplishing these objectives our company can best serve the nation's interests, and promote the welfare of our customers, stockholders, employees and farmers.

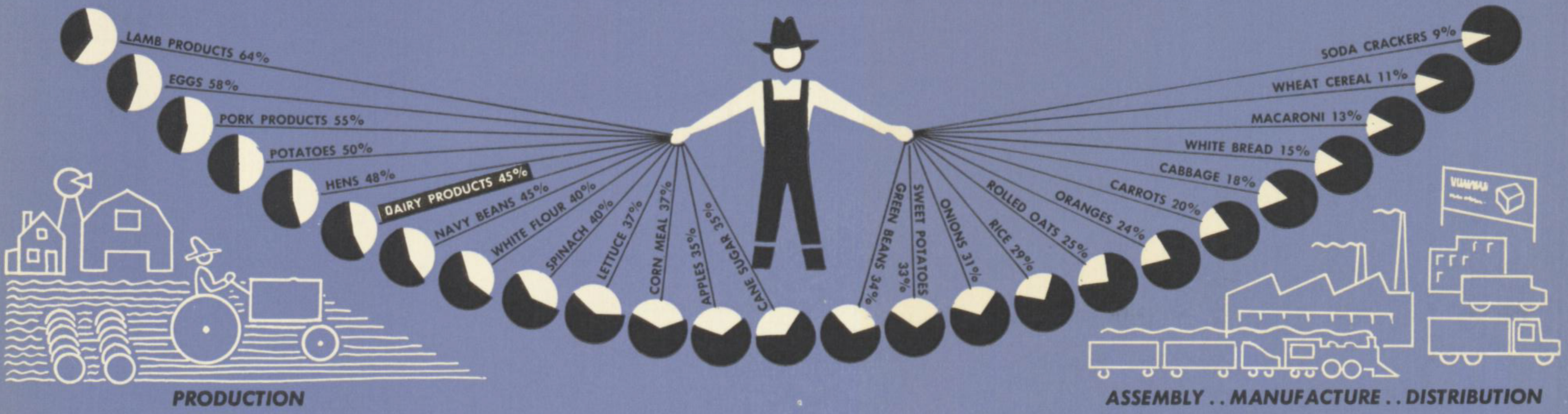
Your management takes this opportunity to thank the employees of its member companies sincerely for their loyal endeavors during the past year. We also wish to express our appreciation for the stockholders' continued interest in their company's activities.

By order of the Board of Directors.

New York, N. Y., March 6, 1941.

Thos. H. McInnerney
President.

FARMER'S SHARE OF THE RETAIL PRICE OF IMPORTANT FOODS



This chart shows the farmer's share of each dollar spent by the public for 25 leading foods. Naturally the farmer's share fluctuates greatly since processing and distributing costs vary for each type of product. Dairy products . . . which returned the farmer in 1940, 45 cents out of each dollar expended on fluid milk, butter, cheese and evaporated milk . . . stand high on the list, with only 5 foods paying the farmer a greater share of the consumer's dollar.

The good showing of the dairy industry is further emphasized when one considers that milk and milk products are highly perishable foods . . . demanding unusual refrigeration and sanitary care, special manufacturing and packaging techniques.

National Dairy Products Corporation

AND SUBSIDIARY COMPANIES

(Consolidating only domestic subsidiaries 90% or more of whose equity stock is owned)

CONSOLIDATED BALANCE SHEETS

ASSETS	DECEMBER 31,	
	1940	1939
CURRENT ASSETS:		
Cash in banks and on hand	$ 16,916,360.77	$ 16,057,414.55
Marketable securities at cost, less reserve for market depreciation	None	53,460.00
Notes receivable	$ 609,089.27	$ 525,830.59
Accounts receivable	18,845,349.87	18,006,225.43
Total notes and accounts receivable	$ 19,454,439.14	$ 18,532,056.02
Less—Reserve for doubtful notes and accounts	1,862,822.50	1,900,854.59
	$ 17,591,616.64	$ 16,631,201.43
Inventories at cost or market, whichever is lower	$ 29,835,618.28	$ 24,674,681.61
Miscellaneous supplies	3,961,890.47	4,292,109.63
Cash surrender value of life insurance	392,511.70	363,778.64
Total current assets	$ 68,697,997.86	$ 62,072,645.86
FOREIGN SUBSIDIARIES (See Page 15):		
Investments in and advances to:		
Canadian subsidiaries	$ 2,573,554.23	$ 2,548,383.06
Other foreign subsidiaries	4,331,048.28	4,260,397.28
	$ 6,904,602.51	$ 6,808,780.34
Less—Reserve for foreign investments and advances	1,464,560.43	680,344.89
	$ 5,440,042.08	$ 6,128,435.45
OTHER INVESTMENTS AND ADVANCES:		
Domestic subsidiaries not consolidated	$ 191,272.42	$ 190,272.42
Deposits with State Commissions, etc.	824,697.56	509,001.90
Cabinet, fountain and equipment contracts, less reserve	1,318,012.56	948,969.42
Miscellaneous investments	1,111,206.11	1,230,713.50
Other notes and accounts receivable, less reserve	1,890,584.87	2,019,434.32
Loans to employees, less reserve of $200,000	423,328.54	492,162.40
	$ 5,759,102.06	$ 5,390,553.96
CAPITAL ASSETS:		
Stated at cost, or, as to certain properties at sound values as appraised as of dates of acquisition plus additions at cost, less certain adjustments.		
Land	$ 15,452,419.69	$ 15,747,075.65
Buildings, machinery and equipment	129,755,702.92	132,597,616.03
	$145,208,122.61	$148,344,691.68
Less—Reserves for depreciation of buildings, machinery and equipment	50,245,979.57	52,918,337.41
	$ 94,962,143.04	$ 95,426,354.27
PREPAID TAXES, INSURANCE, INTEREST, ETC.	$ 867,741.93	$ 783,927.66
GOODWILL	$ 22,059,853.64	$ 22,059,853.64
	$197,786,880.61	$191,861,770.84

National Dairy Products Corporation

AND SUBSIDIARY COMPANIES

(Consolidating only domestic subsidiaries 90% or more of whose equity stock is owned)

DECEMBER 31, 1940 AND DECEMBER 31, 1939

LIABILITIES		DECEMBER 31,	
		1940	1939
CURRENT LIABILITIES:			
Serial Debentures maturing June 1 and December 1, 1941		$ 1,500,000.00	None
Accounts payable including sundry accruals		17,565,403.34	$ 16,820,277.82
Payable to foreign subsidiaries not consolidated		322,006.54	342,791.98
Reserves for Federal taxes		4,580,519.06	3,299,036.74
Total current liabilities		$ 23,967,928.94	$ 20,462,106.54
3¾% DEBENTURES DUE 1951 ($55,023,000 principal amount outstanding on December 6, 1940, called for redemption on January 6, 1941, funds for which in the amount of $58,146,701.56 were deposited in trust December 6, 1940)		None	$ 56,899,000.00
SERIAL DEBENTURES (maturing semi-annually in the amount of $750,000 on June 1 and December 1 of each year to December 1, 1950, less $1,500,000 maturing in 1941 carried under Current Liabilities above)		$ 13,500,000.00	None
3¼% DEBENTURES DUE 1960 (semi-annual purchase fund requirements $275,000 to December 1, 1950, and $825,000 thereafter to June 1, 1960)		55,000,000.00	None
		$ 68,500,000.00	$ 56,899,000.00
MINORITY STOCKHOLDERS' INTEREST IN SUBSIDIARY COMPANIES:			
Preferred stock of Western Maryland Dairy, Inc. (balance of 20,125 shares outstanding on December 6, 1940, called for redemption on February 5, 1941, funds for which in the amount of $2,054,091.67 were deposited in trust on December 6, 1940)		None	$ 546,694.84
Common stocks, less net deficit		$ 335,326.40	346,716.15
		$ 335,326.40	$ 893,410.99
RESERVES FOR CONTINGENCIES:			
Insurance		$ 1,121,225.05	$ 1,399,813.46
Prior years' Federal income taxes and general contingencies		1,877,024.09	1,674,184.28
		$ 2,998,249.14	$ 3,073,997.74
CAPITAL STOCK AND SURPLUS:			
Preferred stock Class A 7% cumulative:			
Authorized—69,244 shares of $100 par value			
Issued less retired—57,339 shares (called for redemption on January 6, 1941, funds for which in the amount of $6,026,169.63 were deposited in trust on December 6, 1940)		None	$ 5,733,900.00
Preferred stock Class B 7% cumulative:			
Authorized—50,000 shares of $100 par value			
Issued less retired—41,370 shares (called for redemption on January 6, 1941, funds for which in the amount of $4,347,872.08 were deposited in trust on December 6, 1940)		None	4,137,000.00
Common stock:			
Authorized—8,000,000 shares without par value			
Issued—6,263,880 shares at stated value	$ 51,337,430.00		
Less—8,633 shares in treasury at average stated value	70,754.23		
		$ 51,266,675.77	51,266,675.77
Capital surplus, per statement attached		2,192,430.98	3,870,215.10
Earned surplus, per statement attached		48,526,269.38	45,525,464.70
		$101,985,376.13	$110,533,255.57
		$197,786,880.61	$191,861,770.84

National Dairy Products Corporation

AND SUBSIDIARY COMPANIES

Consolidated Statements of Profit and Loss for the Years Ending December 31, 1940 and December 31, 1939

(Consolidating only domestic subsidiaries 90% or more of whose equity stock is owned)

	YEAR 1940	YEAR 1939
Net sales (excluding inter-company sales)	$347,410,480.87	$320,656,607.61
Deduct:		
Cost of products	$239,090,185.29	$213,791,188.08
Delivery expense	52,189,221.98	52,127,673.91
Selling expense	25,921,774.28	24,879,287.91
Administrative and general expense	12,917,654.32	12,540,510.15
	$330,118,835.87	$303,338,660.05
Operating profit	$ 17,291,645.00	$ 17,317,947.56
Other income:		
Dividends received	$ 28,235.11	$ 53,655.21
Interest received	239,729.39	230,181.88
Purchase discounts	566,388.59	544,651.98
Miscellaneous other income	100,264.63	187,377.04
	$ 934,617.72	$ 1,015,866.11
	$ 18,226,262.72	$ 18,333,813.67
Income deductions:		
Interest on funded debt	$ 2,104,399.99	$ 2,238,942.99
Other interest	91,317.00	90,472.54
Net loss on disposition of capital assets	401,516.06	166,300.11
Miscellaneous charges	327,768.74	415,641.98
	$ 2,925,001.79	$ 2,911,357.62
Net profit before provision for Federal income taxes	$ 15,301,260.93	$ 15,422,456.05
Provision for Federal income taxes:		
Normal income	$ 4,063,800.00	$ 2,793,000.00
Excess profits	None	None
	$ 4,063,800.00	$ 2,793,000.00
Profit before dividends on preferred stock of subsidiary company held by public and minority interest in earnings	$ 11,237,460.93	$ 12,629,456.05
Deduct:		
Dividends on preferred stock of subsidiary company held by public (including in 1940 $41,591.67 accrued from October 1, 1940 to February 5, 1941)	$ 132,154.17	$ 120,750.00
Minority interest in earnings	10,900.68	13,903.25
	$ 143,054.85	$ 134,653.25
Net profit carried to earned surplus	$ 11,094,406.08	$ 12,494,802.80

Note A: Depreciation included in the above accounts for the year 1940 aggregated $8,601,105.94 and for the year 1939 aggregated $10,025,110.61 (the reduction in 1940 being due principally to the property adjustments made at December 31, 1939). Repairs and maintenance (including replacements of milk bottles) amounted to $9,846,808.39 for the year 1940 and $9,936,569.61 for the year 1939.

Note B: The net profit carried to earned surplus, after deducting dividends of $690,963.00 on the parent company's preferred stocks, was equivalent to $1.66 per share for the year 1940 and $1.88 per share for the year 1939, on the shares of common stock outstanding at the end of each year.

Note C: The corporation's equity in the 1940 profits of domestic subsidiaries not consolidated was $2,868.26 greater than the dividends of $14,055.00 received from such companies.

COMPTROLLER'S CERTIFICATE

The balance sheets set forth on pages 10 and 11 and the related statements of profit and loss and surplus shown on pages 12 and 13 have been prepared under my direction from the companies' books kept under my supervision and, to the best of my knowledge and belief, fairly state the consolidated position of National Dairy Products Corporation and consolidated subsidiaries as of December 31, 1940, and December 31, 1939, and the operations for the years ended on such dates.

New York, N. Y.
March 6, 1941

A. BOAG, Jr.
Comptroller

National Dairy Products Corporation

AND SUBSIDIARY COMPANIES

Consolidated Statements of Earned Surplus and Capital Surplus for the Years Ending December 31, 1940 and December 31, 1939

(Consolidating only domestic subsidiaries 90% or more of whose equity stock is owned)

EARNED SURPLUS		YEAR 1940	YEAR 1939
Earned surplus at beginning of year, per published reports		$46,569,393.53	$44,717,297.58
Elimination of earned surplus at beginning of year of foreign subsidiaries previously included in the consolidated accounts		1,043,928.83	557,153.63
Balance at beginning of year after elimination of foreign subsidiaries		$45,525,464.70	$44,160,143.95
Add: Adjustments to earned surplus due to elimination of foreign subsidiaries from the consolidated accounts:			
Dividends and interest received from foreign subsidiaries		$ 784,215.54	$ 605,425.57
Reversal of reserve for adjustment of net current assets of foreign subsidiaries provided prior to year 1939		None	127,498.53
		$ 784,215.54	$ 732,924.10
		$46,309,680.24	$44,893,068.05
Add: Net profit, per statement attached		11,094,406.08	12,494,802.80
Restoration to earned surplus of portion of reserve for loans to employees		None	300,000.00
		$57,404,086.32	$57,687,870.85
Deduct: Reduction to estimated realizable value of certain property and equipment no longer useful in the business		None	$ 5,227,337.79
Reduction to fair value of certain property and equipment carried at excessive values		None	550,480.37
Loss on liquidation of two foreign subsidiaries representing net deficit since date of acquisition		$ 7,012.52	None
Premium on retirement of 3¾% Debentures due 1951 through operation of purchase fund		9,380.00	9,082.50
Reserve for foreign investments and advances		784,215.54	680,344.89
Adjustments in connection with refinancing:			
Premium and expense on redemption of 3¾% Debentures due 1951 and Preferred Stocks Class A and Class B	$3,254,291.71		
Commissions and expenses in connection with issue and sale of 3¼% Debentures due 1960 and Serial Debentures	1,740,256.57		
	$4,994,548.28		
Less—Premium received on sale of 3¼% Debentures due 1960	2,612,500.00	2,382,048.28	None
Dividends: Paid on preferred stocks at $7.00 per share		690,963.00	690,963.00
Paid on common stock at 80¢ per share (20¢ per share quarterly)		5,004,197.60	5,004,197.60
		$ 8,877,816.94	$12,162,406.15
Earned surplus at end of year, per balance sheets (See note)		$48,526,269.38	$45,525,464.70

Note: The Indenture under which the funded debt of the Corporation is outstanding provides in substance that cash dividends may be paid only if thereafter (a) consolidated earned surplus exceeds $35,000,000 (which sum is subject to adjustment in certain circumstances, including a reduction of $500,000 for each reduction of $1,000,000 in consolidated funded indebtedness below $70,000,000), and (b) consolidated tangible assets after deducting consolidated liabilities other than consolidated funded indebtedness shall be equal to at least 1¾ times the consolidated funded indebtedness. Certain of the terms used are defined in the Indenture.

CAPITAL SURPLUS	YEAR 1940	YEAR 1939
Capital surplus at beginning of year, per published reports	$ 3,849,086.11	$ 4,297,721.02
Add—Reversal of write-off of goodwill of a foreign subsidiary previously written off in the consolidated accounts	21,128.99	21,128.99
Balance at beginning of year after elimination of foreign subsidiaries	$ 3,870,215.10	$ 4,318,850.01
Deduct: Reduction of common shares held in treasury (formerly carried under Investments and Advances) from cost to average stated value	None	$ 129,061.47
Excess of the redemption price (excluding accrued dividends of $41,591.67 charged to profit and loss) of Western Maryland Dairy, Inc. Preferred Stock over the amount at which such stock was carried in the consolidated balance sheet	$ 1,465,805.16	None
Goodwill purchased during year, written off	211,978.96	319,573.44
	$ 1,677,784.12	$ 448,634.91
Capital surplus at end of year, per balance sheets	$ 2,192,430.98	$ 3,870,215.10

Auditors' Certificate

To the Board of Directors and Stockholders of
National Dairy Products Corporation:

We have examined the consolidated balance sheet of National Dairy Products Corporation (a Delaware corporation) and subsidiary companies as of December 31, 1940, and the consolidated statements of profit and loss and surplus for the year ended that date, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and it included all procedures which we considered necessary. Such procedures, with respect to the more important items of the consolidated balance sheet, are commented on broadly in the following four paragraphs.

Cash in banks was checked to confirmations received directly from the depositaries and cash on hand was either counted, traced to subsequent deposits in bank accounts, or, as to working funds, confirmed to us by the custodians. Notes receivable, securities and other evidences of investments or loans, together with collateral therefor, held by the companies were inspected, and those held by depositaries or other custodians were confirmed by direct correspondence. Customers' ledgers and drivers' route books were test-checked and balanced with the general ledger control accounts. Our examination of the receivables included tests of balances by direct communication with the debtors to the extent we considered appropriate in the circumstances. The receivables were reviewed as to collectibility and, in our opinion, the reserves provided are adequate to cover losses anticipated at the date of our examination.

Inventory records and procedures were reviewed and the methods followed by the companies in taking physical inventories were approved by us. We observed the taking of physical inventories by company employes at the more important locations and made test counts of selected items; merchandise in public warehouses was checked by direct confirmations from the warehouses. Clerical accuracy was checked and we satisfied ourselves that the inventories were priced at cost or market whichever lower by reference to invoices, cost records, trade journals, etc.

Additions to capital assets were reviewed and in connection therewith, we inspected authorizations, contracts, invoices, vouchers, and other data in support of the major items. Changes in the reserves for depreciation were analyzed; calculations of depreciation for 1940 were reviewed and the amounts charged to profit and loss appeared to be reasonable.

Accounts payable were checked to voucher registers and other detail records, and the payables were confirmed on a test basis by direct correspondence with creditors. Computations of accrued liabilities were verified and supporting data, such as pay rolls, tax returns, etc., were reviewed. Shares of capital stock, the amount of debentures outstanding, and amounts deposited in trust for payment of debentures and preferred stock issues called for redemption were confirmed to us by direct correspondence with the registrar and trustees. Insofar as we could ascertain within the scope of our examination, and as represented to us by the management, provision has been made in the consolidated balance sheet at December 31, 1940, for all known direct and contingent liabilities of the companies at that date.

For a number of years prior to 1940, the accounts of the foreign subsidiaries other than those of the German and Australian companies were included in the consolidated financial statements; in the accompanying financial statements for 1940 no foreign subsidiaries are consolidated. Otherwise, the principles of accounting maintained by the companies during the current year were, in our opinion, consistent with those of the preceding year.

In our opinion the accompanying consolidated balance sheet and the consolidated statements of profit and loss and surplus fairly present the financial position of National Dairy Products Corporation and subsidiary companies consolidated at December 31, 1940, and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles.

Arthur Andersen & Co.

New York, N. Y.,
March 6, 1941.

Foreign Subsidiaries

(Foreign exchange in the countries indicated subject to certain governmental restrictions)

The net sales (excluding inter-company sales) of the foreign subsidiaries and the Corporation's equity in net profits of such subsidiaries for the year 1940, and the Corporation's equity in net assets of the foreign subsidiaries compared with the Corporation's investments in and advances to such subsidiaries at December 31, 1940, are shown below:

	NET SALES	EQUITY IN NET PROFITS	NET CURRENT ASSETS	ALL OTHER ASSETS—NET	EQUITY IN NET ASSETS	INVESTMENTS AND ADVANCES
Canada	$ 6,492,833.23	$134,146.47	$2,204,461.36	$ 510,987.42	$2,715,448.78	$2,573,554.23
England	9,973,486.58	424,978.09	1,795,571.54	1,467,675.05	3,263,246.59	3,486,951.21
Argentina	158,114.02	11,118.17	99,795.22	137,234.34	237,029.56	272,379.59
	$16,624,433.83[1]	$570,242.73[1]	$4,099,828.12[1]	$2,115,896.81[1]	$6,215,724.93[1]	$6,332,885.03
Germany (9 months ended September 30, 1940)	RM 8,721,809.33	RM 269,738.02	RM 1,218,789.29	RM 511,500.78	RM 1,730,290.07	$ 178,952.71
The Netherlands (11 months ended November 30, 1940) .	Fl. 1,409,510.85	Fl. 13,656.15	Fl. 236,441.12	Fl. 92,863.08	Fl. 329,304.20	$ 191,456.02
Belgium (10 months ended October 31, 1940)	BF 609,985.10	BF 5,020.76	BF 65,756.22	BF 400.00	BF 66,156.22	$ 16,500.00
Australia	£ 1,130,598	£ 19,926[2]	£ 150,282[2]	£ 85,957[2]	£ 236,239[2]	$ 184,808.75
Total investments and advances						$6,904,602.51
Less—Reserve for foreign investments and advances, representing provision of $680,344.89 made prior to December 31, 1939, for unrealized foreign exchange losses, and provision of $784,215.54 made in 1940 equivalent to the amount of dividends received from an English subsidiary (see earned surplus statement)						1,464,560.43
Net investments in and advances to foreign subsidiaries						$5,440,042.08

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[1] Net sales, the Corporation's equity in net profits, and net current assets have been converted in terms of U. S. dollars at the current rates of exchange at December 31, 1940. In addition, the Corporation's equity in net profits has been reduced by the additional amount which would have been required in 1940 to adjust the net current assets of these foreign subsidiaries for the decline occurring in rates of exchange during 1940. Other assets have been converted at the approximate commercial rates of exchange prevailing at the time of the Corporation's investment in the subsidiaries.

[2] After providing for a minority interest of 40 percent.

Financial statements for the subsidiaries in Belgium, Germany and The Netherlands for the year 1940 have not been examined by independent public accountants. The information included herein with respect to such subsidiaries is based on the most recent unaudited financial statements submitted by the respective subsidiaries.

Milk . . .

**These divisions sell Sealtest-supervised milk.*

Sales Area	National Dairy Division
ALABAMA	
Birmingham	Southern Dairies, Inc.*
CONNECTICUT	
Hartford	The Bryant & Chapman Co.* R. G. Miller & Sons, Inc.*
New Canaan	Sheffield Farms Co., Inc. (Sealect)
New Haven	New Haven Dairy* Sagal-Lou Products Co.*
Stamford	Sheffield Farms Co., Inc. (Sealect)
DELAWARE	
Wilmington and Suburbs	The Clover Dairy Co.*
DISTRICT OF COLUMBIA	
Washington, D. C.	Chestnut Farms-Chevy Chase Dairy Co.*
FLORIDA	
Coral Gables, Fort Lauderdale, Hollywood, Miami, Miami Beach, Palm Beach, West Palm Beach, Jacksonville, St. Petersburg	Southern Dairies, Inc.*
GEORGIA	
Atlanta	Southern Dairies, Inc.*
ILLINOIS	
Belleville	St. Louis Dairy Co.
East St. Louis	Highland Dairy Farms Co.
Peoria	J. D. Roszell Co.*
INDIANA	
Jeffersonville, New Albany, Charlestown	Ewing-Von Allmen Dairy Co.*
KENTUCKY	
Covington, Newport and Northern Kentucky	Hiland Dairy Co.*
Louisville	Ewing-Von Allmen Dairy Co.* Kentucky Dairies
MARYLAND	
Baltimore and Western Maryland	Western Maryland Dairy, Inc.*
Chevy Chase, suburbs of Washington, D. C., and Chesapeake Bay Resorts	Chestnut Farms-Chevy Chase Dairy Co.*
MASSACHUSETTS	
Boston and Eastern Massachusetts	Deerfoot Farms Co.
Springfield	General Ice Cream Corp.* (Cream Crest)
MICHIGAN	
Ann Arbor	Ann Arbor Dairy*
Detroit	Detroit Creamery Co.* Ebling Creamery Co.* W. J. Kennedy Dairy Co.
Flint, Lansing	Arctic Dairy Products*
Grand Rapids	Grand Rapids Creamery*
Monroe	Clover Leaf Dairy*
Pontiac	Detroit Creamery Co.*
MISSOURI	
Kansas City	Chapman Dairy Co.*
St. Louis and Vicinity	St. Louis Dairy Co. Highland Dairy Farms Co.
NEW JERSEY	
Atlantic City, Camden, Trenton and Southern New Jersey	Supplee-Wills-Jones Milk Co.*
Bayonne, Hoboken, Jersey City and Union City	Consumers Dairy Co.
Northern New Jersey	Sheffield Farms Co., Inc. (Sealect)*
NEW YORK	
Albany	General Ice Cream Corp.* (Cream Crest)
Buffalo	Dodds Alderney Dairy, Inc.*
New York and Metropolitan area, including Long Island, Westchester and Northern New Jersey	Sheffield Farms Co., Inc. (Sealect)* Breakstone Bros., Inc.
New York and Long Island	Muller Dairies, Inc.
Rochester	Brighton Place Dairy Co., Inc.*
Schenectady	General Ice Cream Corp.* (Cream Crest)
NORTH CAROLINA	
Asheville, Rocky Mount, Wilson and Winston-Salem	Southern Dairies, Inc.*
OHIO	
Akron, Barberton, Cuyahoga Falls, Kent and Vicinity	The Akron Pure Milk Co.*
Ashtabula and Vicinity	The Telling-Belle Vernon Co.* (Belle-Vernon)
Canton, Massillon and Vicinity	The Sanitary Milk Co.*
Cincinnati and Vicinity	Frechtling Dairy Co.* The Matthews-Frechtling Dairy Co.*
Cleveland and Vicinity	The Telling-Belle Vernon Co.* (Belle-Vernon)
Hamilton, Middletown	Frechtling Dairy Co.*
Toledo	Ohio Clover Leaf Dairy Co.*
Youngstown and Vicinity	Youngstown Sanitary Milk Co.*
PENNSYLVANIA	
Altoona, Barnesboro, Bedford, Huntingdon	W. E. Hoffman*
Erie	Erie County Milk Association* (Ecoma)
Meadville, Oil City	Moore Brothers*
Philadelphia and Southeastern Pennsylvania	Supplee-Wills-Jones Milk Co.*
Pittsburgh and Western Pennsylvania	Rieck-McJunkin Dairy Co.*
TENNESSEE	
Memphis	Clover Farm Dairy Co.*
Nashville and Vicinity	Nashville Pure Milk Co.* (Tru-li-Pure)
Knoxville	Southern Dairies, Inc.*
VIRGINIA	
Northern Virginia and suburbs of Washington, D. C.	Chestnut Farms-Chevy Chase Dairy Co.*
WISCONSIN	
Milwaukee and Vicinity	Luick Dairy Co.*

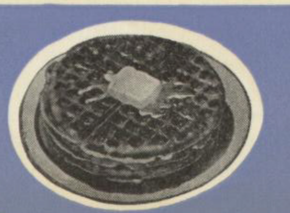
(Most of these divisions also sell Vitamin "D" milk, chocolate milk, buttermilk, cream, butter, eggs, cottage cheese, special milks and other dairy products daily to homes, restaurants, stores, hospitals, hotels and institutions.)

COTTAGE CHEESE

BERRIES AND CREAM

MILK IN COOKING

BUTTER FOR FLAVOR



Ice Cream . . .

**These ice creams are Sealtest-supervised.*

ALLEN'S ICE CREAM*
Rockford, Ill., and Monroe, Wis.

BREYERS ICE CREAM
Philadelphia and Eastern Pennsylvania, Metropolitan New York, New Jersey, Delaware, Maryland, Virginia and District of Columbia

BUSHWAY-WHITING ICE CREAM
Greater Boston, Mass.

CASTLES ICE CREAM*
Northern New Jersey, and Staten Island

CHAPELL'S ICE CREAM*
Metropolitan Chicago, Ill.

CLOVER FARMS ICE CREAM*
Memphis and Western Tennessee, Eastern Arkansas, and Northern Mississippi

CLOVERLEAF ICE CREAM*
Decatur, Northern Indiana and Western Ohio

COLONIAL ICE CREAM
Providence and Pawtucket, R. I., Norfolk, Va.

CONSOLIDATED DAIRY ICE CREAM
Metropolitan New York

THE CREAM OF PITTSBURGH
Greater Pittsburgh, Pa.

CREME-FREEZ ICE CREAM*
Boston, Mass.

ECOMA ICE CREAM*
Erie, Pa.

FRANKLIN ICE CREAM*
Kansas City and Missouri, Kansas, Oklahoma, Southeastern Nebraska, Southwestern Iowa and Northwestern Arkansas

FRECHTLING'S ICE CREAM*
Cincinnati, Hamilton, Middletown and Southwestern Ohio and adjacent areas of Indiana and Kentucky

FRO-JOY ICE CREAM*
New England States, New York State, Northwestern Pennsylvania and Northeastern Ohio

HARDING'S ICE CREAM*
Eastern Nebraska and Western Iowa

HOFFMAN'S ICE CREAM*
Altoona, Barnesboro, Bedford, Huntingdon and Lewistown, Pa., Cumberland, Md., Elkins, W. Va.

HYDROX ICE CREAM*
Metropolitan New York, Metropolitan Chicago, Greater St. Louis, Southeastern Missouri and Southern Illinois

JERSEY ICE CREAM*
Lawrence and Eastern Massachusetts, Schenectady, N. Y.; Skowhegan, Maine

KENT'S ICE CREAM*
State of Vermont

KIMBALL'S ICE CREAM*
Malden, Mass.

LOCKWOOD'S ICE CREAM*
Utica, N. Y.

LUICK ICE CREAM*
Wisconsin, Northern Illinois, Upper Peninsular Michigan, Eastern Minnesota

MACOMBER ICE CREAM
New Bedford, Mass.

MANCHESTER DAIRY ICE CREAM*
South Manchester, Conn.

MILLIKIN'S ICE CREAM*
Youngstown and Warren, Ohio, and Sharon, Pa.

MOGLIA'S ICE CREAM*
Northern New Jersey

MOORE'S ICE CREAM*
Meadville, Oil City, and Franklin, Pa.

NORRIS ICE CREAM
Boston, Mass.

OLIVET ICE CREAM*
Kingston, N. Y.

PEERLESS ICE CREAM
Birmingham, Ala.

PLYMOUTH ROCK ICE CREAM*
Southeastern Massachusetts

RIECK'S ICE CREAM*
Greater Pittsburgh and Western Pennsylvania

ROGERS' ICE CREAM*
Poughkeepsie, N. Y.

ROSZELL'S ICE CREAM*
Central Illinois

SAGAL-LOU ICE CREAM*
New Haven, Conn.

ST. LOUIS DAIRY ICE CREAM*
Greater St. Louis, Eastern Missouri and Southwestern Illinois

SANITARY ICE CREAM*
Canton, Massillon, Dover and Wooster, Ohio

SEALTEST ICE CREAM*
Louisville and Lexington, Ky.

SOUTHERN DAIRIES ICE CREAM*
District of Columbia, Delaware, Maryland, Virginia, West Virginia, North Carolina, South Carolina, Kentucky, Tennessee, Georgia, Florida, Alabama and Mississippi

SUPPLEE ICE CREAM*
Philadelphia and Eastern Pennsylvania, Southern New Jersey and Delaware

TELLING'S ICE CREAM*
Ohio, West Virginia and Eastern Kentucky

THOMPSON'S ICE CREAM*
Metropolitan Chicago, Ill.

UNION ICE CREAM*
Middle Tennessee and Northern Alabama

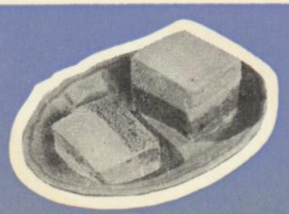
VELVET BRAND—ARCTIC ICE CREAM*
State of Michigan

VELVET BRAND ICE CREAM*
Toledo, Ohio

WISCONSIN CREAMERIES ICE CREAM
Wisconsin, Northern Illinois

YERDON'S ICE CREAM*
Fort Plain and Utica, N. Y.

PACKAGED ICE CREAM



FOUNTAIN SERVICE

NOVELTIES

ICE CREAM PIES

Kraft Foods . . .

KRAFT CHEESES are sold throughout the United States and in practically all foreign countries, the foreign manufacturing plants being located in Canada, England, Holland, Germany, Australia and Argentina. Leading Brand Names: Kraft Cheeses and Cheese Products, "Philadelphia Brand" Cream Cheese, Velveeta, "Old English" Process Cheddar Cheese, Casino Camembert, Chantelle Cheese, "Coon" (Aged Natural Cheddar) Cheese, etc.

KRAFT SALAD PRODUCTS . . . Miracle Whip Salad Dressing, Kraft Mayonnaise, Kraft French Dressing and other Kraft Salad Products are sold throughout the United States, Canada, England, Argentina and in many other countries throughout the world.

WARD MILK PRODUCTS DIVISION . . . Churnolac, Dried Egg Yolks, Kraft Baker's Blend, Lacalac Spray and Roller Process Dried Skim Milk, Spray and Roller Process Dried Whole Milk, Sweetened Condensed Skim Milk, Ward's Dried Buttermilk from Sweet Cream, Ice Crem-O-Lac, Collis Dried Buttermilk, Delyn Dried Casein Whey, Kraco Dried Cheese Whey, G-An-En, Ward's Dried Skim Milk for Poultry and Livestock.

KRAFT CONFECTIONS . . . Kraft Dairy-Fresh Caramels in 5c Bars and by the pound are sold throughout the U. S.

KRAFT PLAIN AND CHOCOLATE FLAVORED MALTED MILKS are sold through regular Kraft distribution channels. National Dairy Malted Milk is sold by Milk and Ice Cream Divisions of National Dairy Products Corporation.

Other Foods . . .

BREAKSTONE BROTHERS, INC.—Breakstone Cheese and related products are sold in states east of the Alleghenies.

PABST-ETT CORPORATION—Pabst-ett and Blue Label Cheeses and Pabst-ett's "Harvest Moon" Salad Dressing, Mayonnaise and Salad Products are sold throughout the U. S.

PHENIX FOOD SALES CORPORATION—A national selling and merchandising organization well adapted for marketing specialty and staple foods throughout the U. S. This company now markets products of the Pabst-ett Corporation nationally; is also exclusive U. S. sales agent for Dainty Brand Soups and Soup Mixes, Cake Decorations, Dehydrated Parsley, Onion and Mint; also sells bouillon cubes, prepared hot chocolate mix and other foods. Firmly established in the food field, Phenix Food Sales Corporation is well equipped to market any quality food product nationally.

NATIONAL CHEESE CO.—Daisy Brand Cheese and allied products are sold throughout the Middle Western States.

NATIONAL CREAMERY CO.—Diamond Brand Cheese and allied products are sold throughout the New England States.

Butter . . .

BREAKSTONE BROTHERS, INC.
New York, N. Y.
Brand Names — Breakstone, Belle O' the Valley.

CLOVERLEAF CREAMERIES, INC.
Decatur, Ind.
Brand Names—Cloverleaf, Wabash Valley.

HARDING DIVISION OF SUGAR CREEK CREAMERY CO.
Danville, Ill.
Brand Names — Harding's Quality Butter, Capitol, Elgin, Calhoun, Golden Glow, Lange's Pure Cream Butter.

NASHVILLE PURE MILK CO.
Nashville, Tenn.
Brand Names — Tru-li-Pure, Lily Pure, Sweet Maiden, Pride of Tennessee Country Roll.

NATIONAL BUTTER DIVISION OF SUGAR CREEK CREAMERY CO.
Danville, Ill.
Brand Names—Maple Leaf, Dairy States.

NATIONAL CHEESE CO.
Chicago, Ill.
Brand Name—Daisy.

NATIONAL CREAMERY CO.
Somerville, Mass.
Brand Name—Diamond.

SOUTHERN DAIRIES, INC.
Montgomery, Ala.
Brand Names—Cream Crest, Dixie Queen, Southern Dairies.

SUGAR CREEK CREAMERY CO.
Danville, Ill.
Brand Names—Sugar Creek, Watseka, Jersey Lily, Golden Grain, Keystone, Diamond Springs, Maple Leaf, Meramec, Ridgeland, Bonnie Farms.

THE TRI-STATE BUTTER CO.
Cincinnati, Ohio
Brand Names—Rich Pasture, Nancy Hanks, Favorite, Rookwood, Sunnydale, Valley Farms and Victor.

In addition to the above brands most National Dairy milk distributing Divisions sell butter on their regular milk routes and to the wholesale trade.

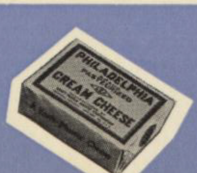
KRAFT CHEESES

KRAFT
AMERICAN

SALAD PRODUCTS

Miracle Whip
Salad Dressing
KRAFT

CREAM CHEESE



CAMEMBERT CHEESE

CAMEMBERT
CASINO

KRAFT DINNER

KRAFT
DINNER

Other Products...

CONSOLIDATED PRODUCTS CO.—Danville, Ill.
Semi-Solid Buttermilk, Semi-Solid Chick Emulsion, Semi-Solid Pig Emulsion, Semi-Solid "E" Emulsion, Semi-Solid Buttermilk Flakes, Condensed Buttermilk, Condensed Whey, Mixer Mulsion, Doggie Mulsion.

DEERFOOT FARMS CO.—Southborough, Mass.
Deerfoot Farms Pure Pork Sausage, Bacon, and Sausage Meat.

EWING-VON ALLMEN DAIRY CO.—Louisville, Ky.
Swiss and Eva evaporated milks, Plain and Sweetened Skim and Whole Condensed Milks, Animal Feed Skim Milk Powder.

THE FRANKLIN ICE CREAM CORP.—Kansas City, Mo., and Tonganoxie, Kan.
Skim and Whole Condensed milks—Sunflower, Double XX, Golden Crust brands.

FRECHTLING DAIRY CO.—Hamilton, Ohio
Sweetened Skim and Whole Condensed Milk, Plain Condensed Milk.

THE HARDING CO.—Omaha, Neb.
Colonial Club, Old Kentucky, Pepsi-Cola, Orange-Crush, Hydrox beverages.

HIGHLAND DAIRY FARMS CO.—St. Louis, Mo., and Highland, Ill.
Spray Skim Milk Powder, Lacalac Spray Skim Milk Powder, Superheated Skim Condensed, Roller Powder.

HYDROX CORP.—Chicago, Ill.
Hydrox Cola, Root Beer, Ginger Ale and other beverages.

INTERNATIONAL WOOD PRODUCTS CO.—Linnton, Wash.
Boxes, Shooks and Lumber.

OVSON EGG CO.—Chicago, Ill.
Canned egg products:—Sugaryolk, Mocoyolk, Plainyolk, Saltyolk, Egg Whites and Whole Eggs sold throughout the United States.

RIECK-McJUNKIN DAIRY CO.—Pittsburgh, Pa.
Rieck, Hoffman and Ecoma evaporated milks, Sweetened Skim Condensed Milk, Casein, Spray Skim Milk Powder, Casein Whey Powder (Delyn).

SHEFFIELD BY-PRODUCTS CO.—New York, N. Y.
Sheffield New Process Casein, Sheffield Milk Sugar, Sheffield Technical Sugar, Sheffield Whey Powder, Casein Whey Powder (Delyn), Calcium Lactate, Magnesium Lactate, Ferric Lactate, Sodium Lactate, Lactic Acid, Copper Lactate, Ferrous Lactate.

SHEFFIELD CONDENSED MILK CO., INC.—New York, N. Y.
Sheffield Sealect Evaporated Milk, Sheffield Skim Milk Powder.

SOUTHERN DAIRIES, INC.
Southern Dairies distributes Birds Eye Frosted Foods, Cold Seal Frosted Foods, and Seafresh Frozen Fish throughout the Southeastern States. Southern Dairies also distributes "Colonial" brand Ice Cream Mix.

WINDSOR EVAPORATED MILK CO.—Carrolton, Ohio
Windsor, Findlay and Belle Vernon brands evaporated milk, ice cream mix, sweetened skim condensed milk, plain condensed milk, roller powder.

COLD STORAGE DIVISIONS

CHEMUNG COLD STORAGE—Elmira, N. Y.

DAIRYSTATE COLD STORAGE CO.—Plymouth, Wis.

GENERAL ICE CREAM CORP.—Batavia, N. Y.

LAKE SHORE COLD STORAGE—Erie, Pa.

MERCHANTS COLD STORAGE CO.—Cincinnati, Ohio.

NEW ENGLAND COLD STORAGE—Portland, Me.

NORTH AMERICAN COLD STORAGE CO.—Chicago, Ill.

FROZEN EGGS
OVSON STANDARD EGGS

EVAPORATED MILK
SHEFFIELD Sealect MILK EVAPORATED

MALTED MILK
KRAFT Sweet Chocolate Flavored MALTED MILK

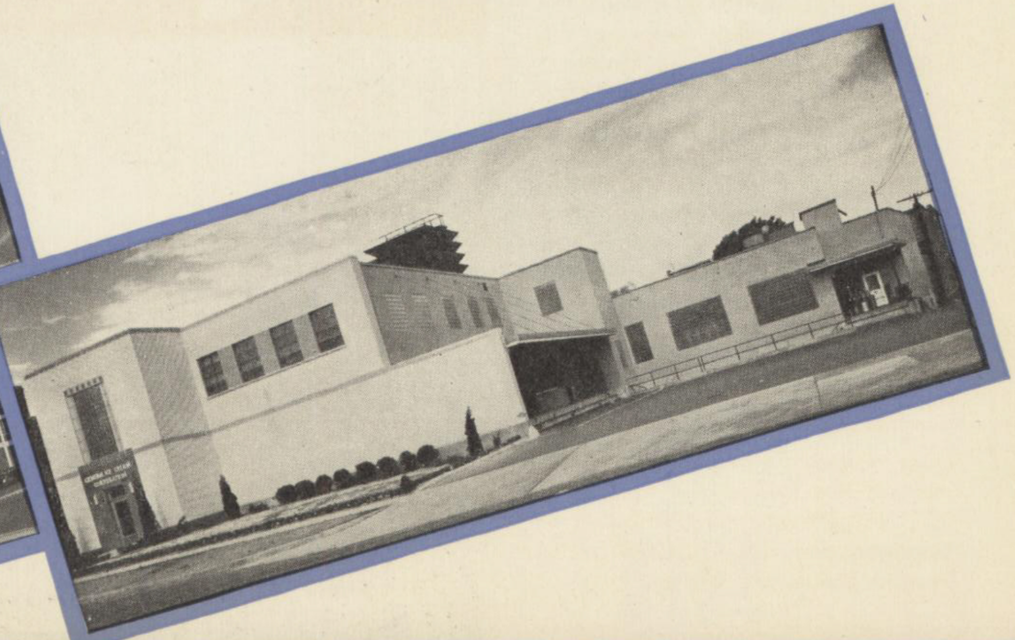
MILK SUGAR
U.S.P. MILK SUGAR

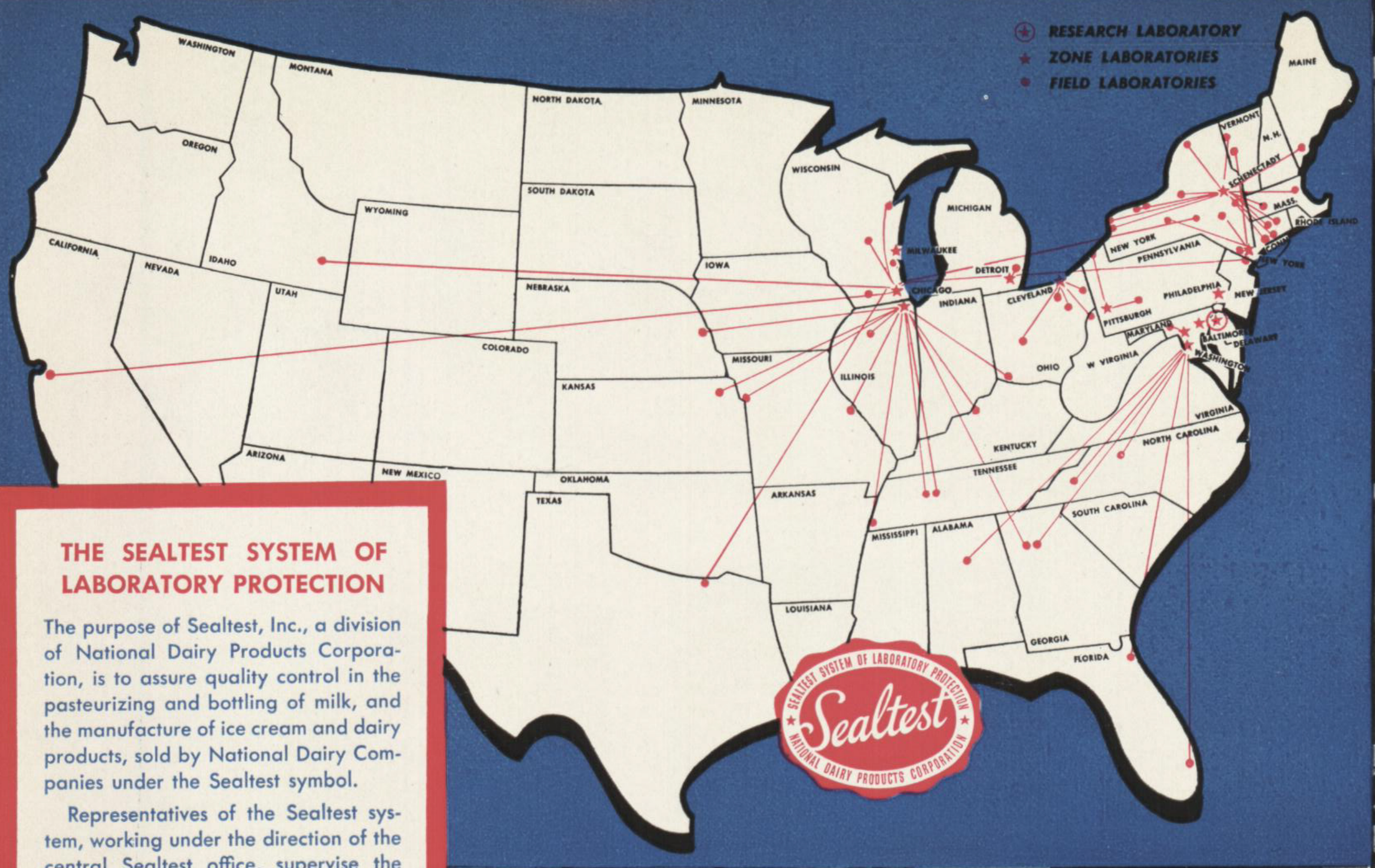
ANIMAL FEED
Semi-Solid Chick Emulsion

SHEFFIELD FARMS
SHEFFIELD FARMS

The three largest of our most recently completed plants are shown on this page . . . Sheffield Farms in New York City, Kraft Cheese in Chicago, and St. Louis Dairy. General Ice Cream's new Rochester, N. Y., plant below is one of several smaller plants constructed during the last three years.

St. LOUIS DAIRY
MILK • ICE CREAM



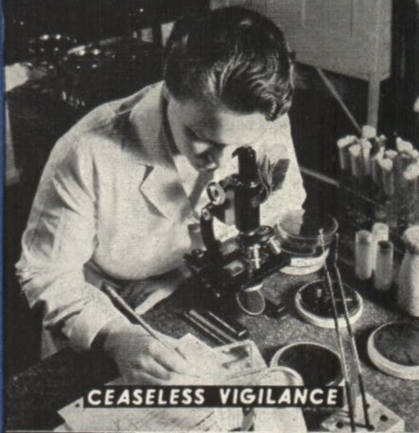

RESEARCH LABORATORY
ZONE LABORATORIES
FIELD LABORATORIES
WASHINGTON
MONTANA
NORTH DAKOTA
MINNESOTA
MAINE
OREGON
VERMONT
N.H.
SCHENECTADY
WISCONSIN
MICHIGAN
SOUTH DAKOTA
WYOMING
MASS.
RHODE ISLAND
CONN.
CALIFORNIA
IDAHO
NEVADA
MILWAUKEE
NEW YORK
PENNSYLVANIA
NEW YORK
IOWA
DETROIT
UTAH
NEBRASKA
CHICAGO
INDIANA
CLEVELAND
PHILADELPHIA
NEW JERSEY
PITTSBURGH
MARYLAND
BALTIMORE
DELAWARE
COLORADO
MISSOURI
ILLINOIS
OHIO
W. VIRGINIA
WASHINGTON
KANSAS
VIRGINIA
KENTUCKY
NORTH CAROLINA
ARIZONA
NEW MEXICO
OKLAHOMA
TENNESSEE
TEXAS
ARKANSAS
SOUTH CAROLINA
MISSISSIPPI
ALABAMA
LOUISIANA
GEORGIA
FLORIDA
SEALTEST SYSTEM OF LABORATORY PROTECTION
Sealtest
NATIONAL DAIRY PRODUCTS CORPORATION

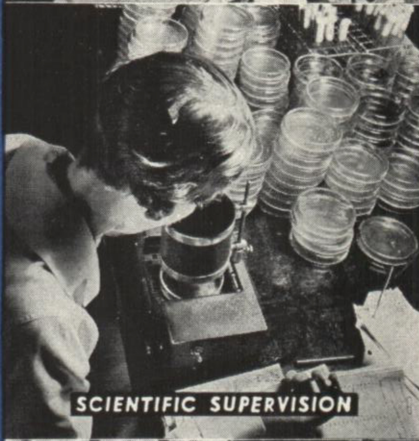
THE SEALTEST SYSTEM OF LABORATORY PROTECTION

The purpose of Sealtest, Inc., a division of National Dairy Products Corporation, is to assure quality control in the pasteurizing and bottling of milk, and the manufacture of ice cream and dairy products, sold by National Dairy Companies under the Sealtest symbol.

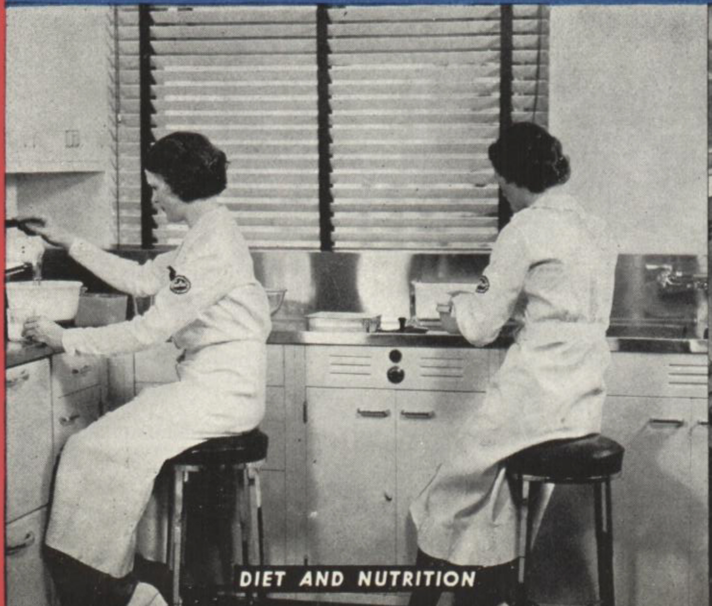
Representatives of the Sealtest system, working under the direction of the central Sealtest office, supervise the methods used in preparing "Sealtest" products in the plants of the member companies. Techniques are controlled; cleanliness of plant, equipment and personnel is safeguarded. Careful laboratory tests and regular inspections and review by the central office of periodic reports insure that the supervision is effective. The result is the line of fine products bearing the Sealtest symbol, of which the National Dairy organization is rightfully proud.

Collateral functions of Sealtest include research to improve production methods and to find new commercial uses for milk and the distribution of nutritional and recipe material by the Sealtest Laboratory Kitchen.


CEASELESS VIGILANCE


SCIENTIFIC SUPERVISION

QUALITY CONTROL


DIET AND NUTRITION

CONSUMER SERVICE

FLAVORFUL, WHOLESOME

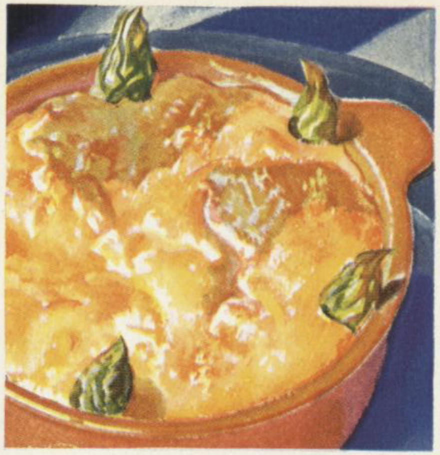
Kraft Foods

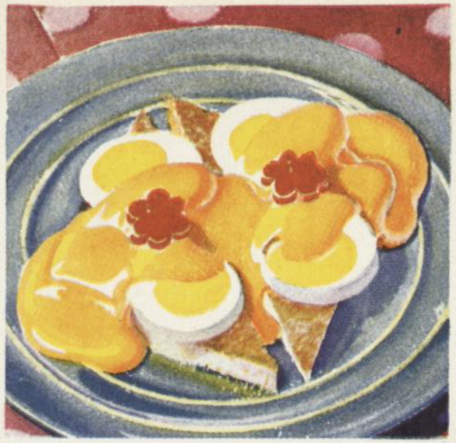
FOR THE
MODERN HOSTESS

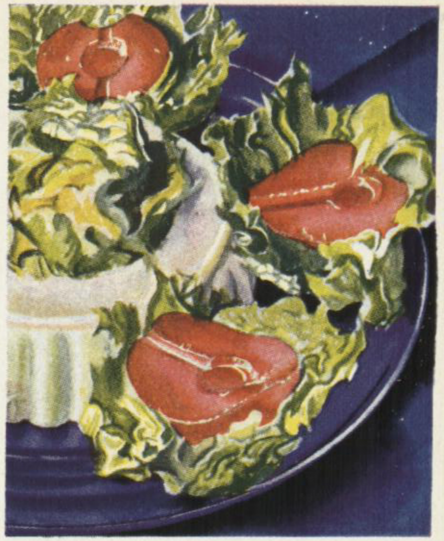
The popular favor enjoyed by Kraft Cheeses, Salad Products and other well-known Kraft foods has been made possible by the precise distribution and skillful advertising of quality foods brought to perfection by painstaking research.

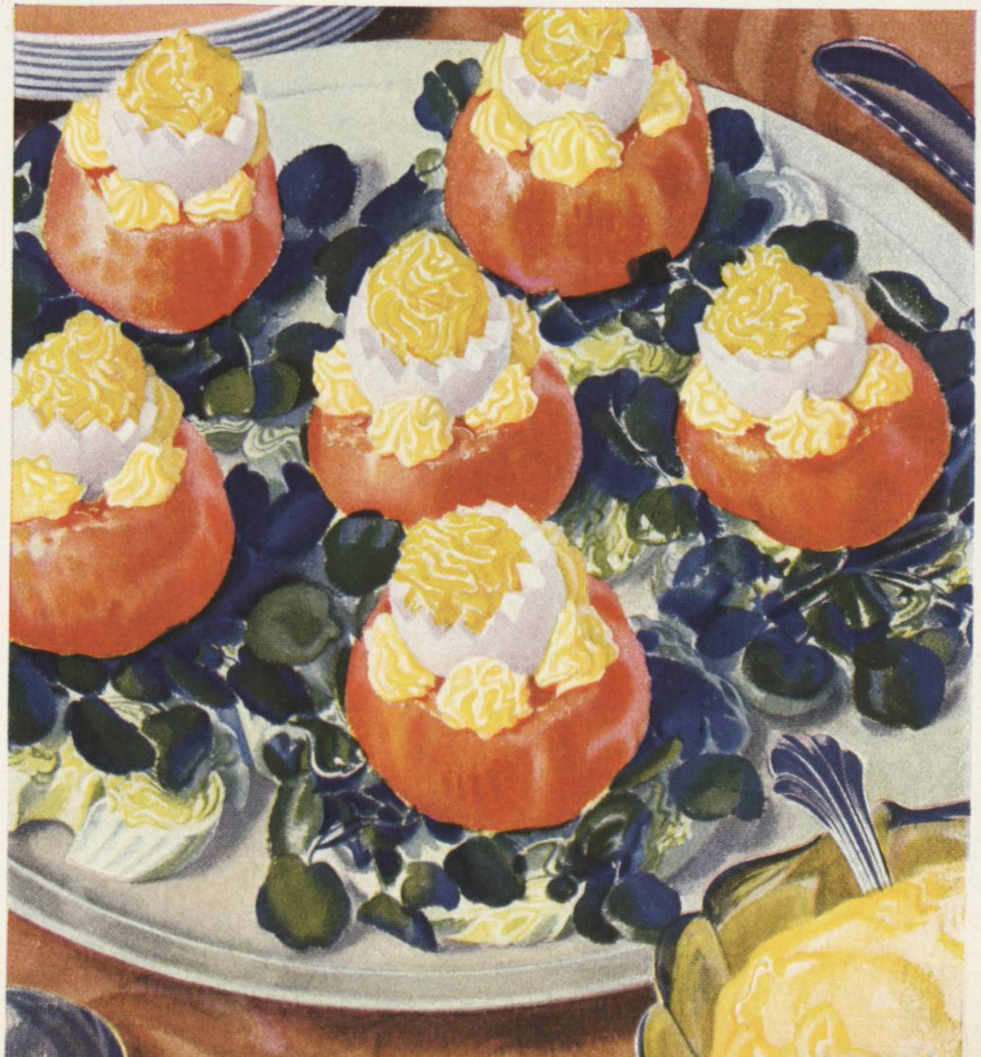
Important factors have been scientific and practical experiment toward the perfection of manufacturing techniques which will retain the natural nutritive qualities of the foods themselves; a distribution system that delivers Kraft Products fresh to food dealers every few days; nationwide advertising that tells the consuming public how best to enjoy them; nutritional research and experimental cookery for the creation of flavorful, eye-appealing ways to prepare nourishing Kraft foods for the table.

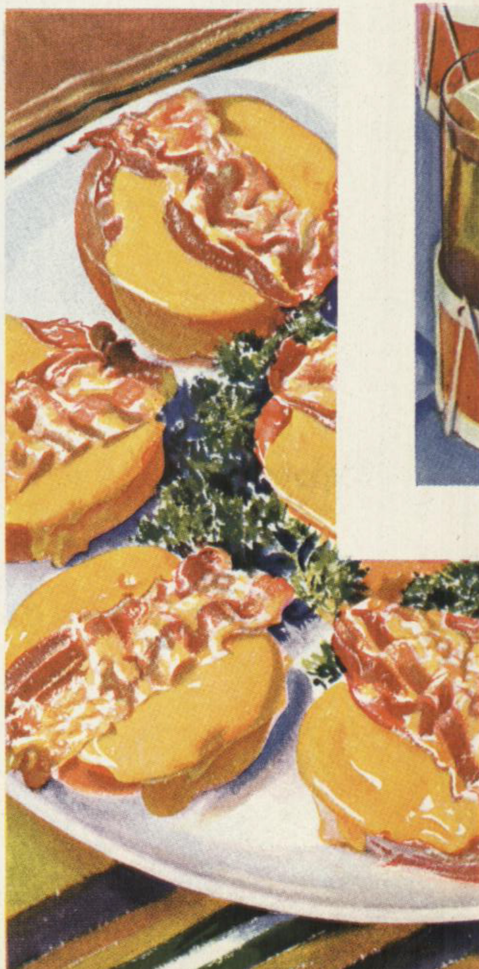
The illustrations on this page are from Kraft advertising. Recipes for the preparation of the dishes shown here, and many others, may be obtained from Kraft Cheese Company, Chicago.











THE MARK OF

SEALTEST SYSTEM OF LABORATORY PROTECTION
Sealtest
NATIONAL DAIRY PRODUCTS CORPORATION

SEALTEST-SUPERVISED PRODUCTS